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CORNER OFFICE | BY DEBORAH L. COHEN

Perception Is Reality

A corporate social responsibility plan in place might keep consumer backlashes at bay.

From the environment to fair trade, consumers are increasingly aware of how their purchasing decisions impact the world in which they live.

In the U.S., some eight out of ten consumers feel it is “important” or “very important” that companies engage in programs to support the environment and society, according to an October 2008 global study on corporate ethics and fair trade commissioned by the market research firm Nielsen.

The study, which queried more than 28,000 consumers online in 51 markets, also notes that “companies remain at risk of a consumer backlash if they fail to address consumer demand for products that adhere to their moral code.”

Fast-food companies seem to command a disproportionate share of the spotlight. From sustained attempts to tie McDonald’s to the world obesity crisis to the recent attention on Burger King’s impact on the wages of tomato pickers in Florida, quick-serves remain a magnet for hot-button issues. Those who are successful in managing public perception get out in front with a clear plan.

“The uber theme is being proactive,” says Aneysa Pearce, an associate partner specializing in corporate social responsibility (CSR) issues for Prophet, a global brand-consulting firm. “It doesn’t matter how big or small you are.”

Regardless of size or budget, Pearce contends that fast-food operators can outline meaningful platforms on issues of significance to their customers, including nutrition and health, sustainability, family values, and animal rights.

In order to be prepared, companies need to identify the “noisiest” groups, understand their platforms on key issues, and develop position statements that fit within the company’s strategy and available resources, Pearce says.

“You want to try to anticipate what [a group’s] reaction to different things could be and have thoughtful responses,” she says, adding that quick-serves shouldn’t bite off more than they can chew. When picking charitable causes, for instance, it’s important to support organizations whose work ties to the restaurant’s core competencies.

CSR efforts don’t require a large staff or deep pockets. Pearce says even a budding chain can assign someone in-house to spend some time developing and implementing a strategy. Services such as



CSRwire, an outlet for corporate responsibility news, offer an affordable means to publicize accomplishments such as new contracts with fair trade suppliers or a company's involvement in philanthropic events.

Among the biggest mistakes companies make is refusing to engage in a dialogue with critics. Recall the perception U.S. audiences were left with when repeated unanswered calls to a McDonald's spokeswoman were documented on camera in director Morgan Spurlock's 2004 documentary, *Super Size Me*.

"That is where a lot of these companies fall short," says Kasper Nielsen, managing director of the Reputation Institute, a New York-based private advisory and research firm specializing in CSR strategies. "They're going to war against an opponent, an enemy they want to crush. The companies who are successful don't treat it as a war, they treat it as a dialogue with people who are interested in their business."

There are no simple answers, particularly when dealing with contentious groups whose modus operandi drives them to stir the pot. But face-to-face interaction can often diffuse controversy, Nielsen says. He suggests quick-serves invite consumer advocacy groups, NGOs, and other interested company stakeholders—including suppliers and regulators—in for private conversations with management or host periodic open-house meetings offering increased transparency into the company's operations and CSR policies.

"We take our responsibility to our associates, customers, shareholders, and the communities where we do business very seriously," says Yum! Brands Chairman and CEO David Novak, in a statement accompanying the company's first corporate social responsibility report, which was issued in early December. "Our view is that the dynamic nature of societal and environmental changes—some predictable, some not—requires us to anticipate, understand and respond meaningfully."

The company says it plans to issue ongoing updates on progress through its Web site and other publicity outlets; its primary areas of focus will be corporate governance and ethics, public policy and government affairs, culture, health, environment, supply chain, and community giving.

Some advocacy groups acknowledge that these kinds of efforts go a long way toward mutual understanding, pointing out that outreach might ultimately avoid escalation of an issue into the realm of negative publicity.

"Most people who know us and know the watchdog role that we play would be surprised to learn the kind of constructive relationships that we have with many food companies," says Margo Wootan, director of nutrition policy for Center for Science in the Public Interest (CSPI), a Washington-based consumer group. "They share ideas with us, we share ideas and concerns with them."

A dialogue doesn't automatically signal that the company plans to make concessions—sometimes it is a chance to explain why requested changes to corporate practice cannot be met, whether the reasons are political fall out, higher costs, or negative impact on customers.

Often both sides can agree to compromise. Several years ago, Wootan's group pushed for the Association of National Advertisers to ban marketing to children. Instead, after discussion, CSPI, the trade group, and companies including McDonald's, Kraft Foods, and Coca-Cola, decided to jointly lobby Congress for increased spending for the Centers for Disease Control and Prevention, allowing it

to bolster efforts in nutrition education, she says.

Congress “was very impressed,” Wootan says.

There might be a direct link between clear and thoughtful CSR practices and an increase in business, says Kathy Gaynor, an analyst with the Chicago-based restaurant industry research firm Technomic.

In an online survey of some 600 U.S. restaurant goers released in May 2007, 54 percent indicated they would visit a restaurant more often, 5 percent said they would pay more, and 24 percent claimed they would do both if a restaurant’s CSR efforts were clearly communicated.

“We found that consumers are really interested in hearing about companies that are doing good,” says Gaynor, who cautions that companies must be careful of “green washing,” or not following through on the practices they communicate to the public.

Gaynor cites Chipotle Mexican Grill’s Food with Integrity program, which calls for the chain to purchase only unprocessed organic foods from farms practicing sustainable agricultural, as an example of a well-orchestrated CSR program.

“It is a really good platform for not only telling consumers how they behave as a company but also how it impacts the consumers,” she says. “It helps connect the dots a little to tell consumers that it may be a little more expensive than other alternatives.”

Deborah Cohen is QSR’s former Finance reporter. Suggest future Corner Office topics for her to cover at Deborah@qsrmagazine.com (<mailto:Deborah@qsrmagazine.com>).